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INFO RUCNCIS/CIS COLLECTIVE

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C O N F I D E N T I A L SECTION 01 OF 03 BISHKEK 001168

SIPDIS

STATE FOR SCA/CEN

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TAGS: PGOV PREL KDEM MARR KG

SUBJECT: DAS KROL DISCUSSES BILATERAL RELATIONSHIP WITH GOVERNMENT OF KYRGYZSTAN

REF: (A) BISHKEK 1163 (B) BISHKEK 1148 (C) BISHKEK 1145

Classified By: Ambassador Tatiana C. Gfoeller, for Reasons 1.4 (b) and (d).

¶1. (C) Summary: Deputy Assistant Secretary George Krol led an interagency delegation to Kyrgyzstan October 26-28. In separate meetings with Foreign Minister Sarbayev and newly appointed Prime Minister Usenov, DAS Krol pressed for a quick resolution to the arrest of two local Embassy employees. Both Sarbayev and Usenov stated that they would work to resolve the issue, understanding its importance to bilateral relations. Foreign Minister Sarbayev told DAS Krol that because the government was still in the throes of reorganization he might not be able to develop a list of officials to participate in the Annual Bilateral Consultations for some time. Both Prime Minister Usenov and Foreign Minister Sarbayev signaled that the Government of Kyrgyzstan is ready to continue discussing details of the Economic Development Fund and EUR/ACE Coordinator Daniel Rosenblum stressed that USAID would be responsible for disbursing EDF funds. End Summary.

¶2. (C) Deputy Assistant Secretary George Krol; Kurt Donnelly, Director for Central Asia at the National Security Council; Daniel Rosenblum, Coordinator for Assistance to Central Europe and Eurasia (EUR/ACE); and Andrew Sisson, USAID Regional Mission Director for Central Asia, accompanied by Ambassador Gfoeller, met with Prime Minister Daniyar Usenov, Foreign Minister Kadyrbek Sarbayev, and Head of the Presidential Secretariat Oksana Malevanaya. The delegation also held informal discussions with political analysts, opposition figures, and civil society activists and traveled to the southern city of Osh in order to visit several U.S. assistance projects (SEPTEL).

ARRESTS OF EMBASSY LOCAL STAFF

¶3. (C) DAS Krol raised the October 22 arrests of two Embassy local employees by the Kyrgyz National Security Service (SNB) (REFTEL A) in separate meetings with Prime Minister Usenov and Foreign Minister Sarbayev. Ambassador Gfoeller had previously raised the Embassy's concerns with Sarbayev in multiple telephone calls the week prior and at a Sunday October 26 meeting at the Foreign Ministry (REFTEL B). DAS Krol expressed USG concerns about the arrests, noting that they damaged the positive image of Kyrgyzstan in the U.S., and requested the immediate release of the two detained employees.

¶4. (C) Referring to information that he had recently received from the SNB on the case, Prime Minister Usenov told the

delegation that he would "personally" look into the issue, adding that he would discuss it with President Bakiyev later that day. The Foreign Minister also expressed his intentions to raise the arrest of the Embassy employees within the Government of Kyrgyzstan in order to resolve it as quickly as possible, noting that he was "working the details of the cases." Usenov said that the SNB needed to take into account improved U.S.-Kyrgyzstan relations and provide the government and the Foreign Minister a transparent accounting of the arrests. The Prime Minister promised to call Ambassador Gfoeller soon and brief her on his discussions of the arrests.

#### ANNUAL BILATERAL CONSULTATIONS

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15. (C) DAS Krol discussed with Foreign Minister Sarbayev the inaugural meeting of the U.S.-Kyrgyz Annual Bilateral Consultations (ABCs). Sarbayev, who only on October 26 was confirmed as State Minister of Foreign Affairs, noted that the government still had many more reforms planned in the coming weeks, the government was still being reorganized, and that amendment of the Constitution might be necessary. Casting doubt on holding the ABCs in mid-December, Sarbayev indicated that due to all the recent changes in the government he could not name the government officials who would participate in the ABCs. In addition, he could also not confirm which government ministry or agency would be responsible for signing the Economic Development Fund (EDF) Memorandum of Understanding. Sarbayev reiterated that the Government of Kyrgyzstan did not have a preference regarding

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holding the ABCs in Washington or in Bishkek.

#### ECONOMIC DEVELOPMENT FUND

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16. (C) DAS Krol and EUR/ACE Coordinator Daniel Rosenblum discussed with Prime Minister Usenov the current status of the Memorandum of Understanding (MOU) for the proposed Economic Development Fund (EDF), jointly managed by the Kyrgyz and U.S. Usenov and Foreign Minister Sarbayev both separately said that the Government of Kyrgyzstan agreed with the outlines of the EDF MOU, including the number and composition of the EDF Board of Directors. Usenov said that it may be the new Agency for Development, Investment and Innovation which would play a leading role for Kyrgyzstan in the EDF. Usenov said that the government would like a private independent company to perform a study of the Kyrgyz economy in order to identify areas where the EDF could concentrate its efforts. Usenov, and separately Foreign Minister Sarbayev, cautioned that the government did not want USAID to manage the EDF, since it dealt more with social and humanitarian assistance projects and not with developing private business.

17. (C) Responding to the issue of USAID management of the EDF, EUR/ACE Coordinator Rosenblum explained to both Usenov and Sarbayev that the U.S. Congress, in seeking maximum accountability and transparency with the EDF, required USAID to manage the disbursement of EDF funds. Rosenblum said that the EDF would not operate as an AID project and highlighted that the joint EDF Board of Directors would be responsible for selecting and vetting potential projects. Rosenblum also said that including a Kyrgyz Development Fund representative on the Board of Directors, an idea of Foreign Minister Sarbayev, could be a good suggestion based on the Fund's current experience of operating in Kyrgyzstan.

18. (C) Relaying his personal opinion, Usenov said that he would like to see the EDF operate as a trade facilitation mechanism that would help Kyrgyz companies do business in the region, and in Afghanistan in particular. Usenov said he envisioned the \$20 million EDF returning a hefty profit, stating that it could turn "\$20 million into \$200 million."

Both Usenov and Sarbayev signaled that the Government of Kyrgyzstan is ready to continuing discussing details of the EDF MOU with the U.S.

NEW GOVERNMENT STRUCTURE

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¶ 9. (C) In a frank and open discussion, Head of the Presidential Secretariat Oksana Malevanaya gave DAS Krol and the delegation a detailed brief on the structure of the new government. Prime Minister Usenov and Foreign Minister Sarbayev also provided an overview of President Bakiyev's reforms, highlighting the reduction of redundancies in government operations and the goal of increasing the effectiveness of government management. Malevanaya provided details of the current government structure (REFTEL C) and described the reorganization as a crucial second step in what she views as a broad and deep process to reform the government overall. She highlighted that changing the "mentality" of government employees and bureaucrats as the largest challenge facing the President's reform plans. She added that the Secretariat was studying different ideas and mechanisms in order to train a new cadre of government employees. Malevanaya again expressed her desires to expand cooperation with the U.S.

¶ 10. (C) Malevanaya told DAS Krol and the delegation that Kyrgyzstan would get back on the correct path towards being a democratic country. DAS Krol responded that the U.S. would be happy to see more efforts at democratic reforms in Kyrgyzstan. Responding to public suggestions that President Bakiyev's reforms are a way to grab more control, Malevanaya said that the President's reforms were focused on developing the country and the economy. The lack of development in Kyrgyzstan, according to Malevanaya, was apparent when the recent global economic financial crisis did not seriously affect Kyrgyzstan. The current government reforms should help streamline operations and re-focus the government's efforts on economic development. Malevanaya noted that since Kyrgyzstan did not have any natural resources it was necessary to look at other areas of development.

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REGIONAL ISSUES

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¶ 11. (C) DAS Krol raised concerns about Kyrgyzstan's electricity supply for this winter, offering to provide assistance if needed. Prime Minister Usenov briefed DAS Krol and the delegation on Kyrgyzstan's efforts to work with its neighbors, especially Uzbekistan, to secure its energy needs. Usenov admitted that Kyrgyzstan and Uzbekistan have had "sharp discussions" over energy issues. Usenov briefed the delegation on Kyrgyzstan's reservoir water levels and stressed that prices for water and energy exports needed to be determined fairly at market prices. Usenov recognized that his country's trade relations with Kazakhstan were "logically easier." The Prime Minister, citing the government's projected 2010 budget deficit, requested U.S. assistance with the IMF and other IFIs in order to secure needed financing and loans to meet the shortfall.

¶ 12. (C) Prime Minister Usenov made a strong pitch for Kyrgyz companies to win contracts for goods and construction projects in Afghanistan. Highlighting his country's geographical proximity to Afghanistan, Usenov said that Kyrgyz companies could export a wide-variety of goods and could play an important role in the reconstruction of that country.

¶ 13. (U) DAS Krol has cleared this cable.  
GFOELLER